

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Sharon L. Vargo</i>	Printed Name		License Number	

**Watervliet City/Township Cemetery
Berrien County, Michigan**

**Financial Report
March 31, 2007, 2006, and 2005**

Watervliet City/Township Cemetery

Contents

Report Letter	1-2
Basic Financial Statements - Government-wide/Governmental Fund	
Governmental Fund Balance Sheet/Statement of Net Assets	3
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	4
Budgetary Comparison Schedule - General Fund	5-7
Notes to Financial Statements	8-10



Plante & Moran, PLLC
Suite 120
511 Renaissance Drive
St. Joseph, MI 49085
Tel: 269.982.8000
Fax: 269.982.2800
plantemoran.com

Independent Auditor's Report

To the Cemetery Board
Watervliet City/Township Cemetery
Watervliet, Michigan

We have audited the accompanying basic financial statements of the Watervliet City/Township Cemetery as of and for the years ended March 31, 2007, 2006, and 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Watervliet City/Township Cemetery's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

The Cemetery has not maintained adequate accounting records related to burial fees and lot sales. As a result, we were unable to apply procedures to determine the proper balance of these revenue accounts.

Since the Cemetery did not maintain adequate accounting records, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the statement of activities and the statement of revenue, expenditures, and changes in fund balance/net assets for the years ended March 31, 2007, 2006, and 2005.

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had the revenue referred to above been susceptible to satisfactory audit tests, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Watervliet City/Township Cemetery as of March 31, 2007, 2006, and 2005 and the respective changes in financial position and budgetary comparison schedules for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Cemetery Board
Watervliet City/Township Cemetery

The Watervliet City/Township Cemetery has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

September 21, 2007

Watervliet City/Township Cemetery

Governmental Fund Balance Sheet/Statement of Net Assets

	March 31		
	2007	2006	2005
Assets			
Cash	\$ 20,582	\$ 21,963	\$ 21,241
Investments - Certificates of deposit	30,367	29,456	28,869
Due from other governmental units	5,000	-	-
Total assets	<u><u>\$ 55,949</u></u>	<u><u>\$ 51,419</u></u>	<u><u>\$ 50,110</u></u>
Fund Balance/Net Assets -			
Unreserved/Undesignated	<u><u>\$ 55,949</u></u>	<u><u>\$ 51,419</u></u>	<u><u>\$ 50,110</u></u>

Watervliet City/Township Cemetery

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities

	Year Ended March 31		
	2007	2006	2005
Revenue			
Local unit contributions	\$ 10,000	\$ 10,000	\$ 10,000
Lot sales	3,500	2,450	250
Burial fees	1,200	-	800
Investment income	<u>1,396</u>	<u>883</u>	<u>297</u>
Total revenue	16,096	13,333	11,347
Expenditures			
Maintenance	10,600	10,600	10,500
Professional fees	-	-	1,302
Utilities	639	801	455
Secretary fee	-	200	200
Repurchase of lots	200	-	800
Miscellaneous	<u>127</u>	<u>423</u>	<u>149</u>
Total expenditures	<u>11,566</u>	<u>12,024</u>	<u>13,406</u>
Excess (Deficiency) of Revenue Over Expenditures	4,530	1,309	(2,059)
Fund Balance/Net Assets - Beginning of year	<u>51,419</u>	<u>50,110</u>	<u>52,169</u>
Fund Balance/Net Assets - End of year	<u><u>\$ 55,949</u></u>	<u><u>\$ 51,419</u></u>	<u><u>\$ 50,110</u></u>

Watervliet City/Township Cemetery

Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

	Original and Amended Budget	Actual	Variance with Budget
Revenue			
Local unit contributions	\$ -	\$ 10,000	\$ 10,000
Lot sales	-	3,500	3,500
Burial fees	-	1,200	1,200
Investment income	-	1,396	1,396
Total revenue	-	16,096	16,096
Expenditures			
Maintenance	-	10,600	(10,600)
Utilities	-	639	(639)
Repurchase of lots	-	200	(200)
Miscellaneous	-	127	(127)
Total expenditures	-	11,566	(11,566)
Excess of Revenue Over Expenditures	-	4,530	4,530
Fund Balance - April 1, 2006	51,149	51,419	(270)
Fund Balance - March 31, 2007	<u>\$ 51,149</u>	<u>\$ 55,949</u>	<u>\$ 4,800</u>

Watervliet City/Township Cemetery

Budgetary Comparison Schedule - General Fund Year Ended March 31, 2006

	Original and Amended Budget	Actual	Variance with Budget
Revenue			
Local unit contributions	\$ 10,000	\$ 10,000	\$ -
Lot sales	1,000	2,450	1,450
Burial fees	1,000	-	(1,000)
Investment income	634	883	249
Total revenue	12,634	13,333	699
Expenditures			
Maintenance	10,500	10,600	(100)
Professional fees	1,300	-	1,300
Utilities	800	801	(1)
Secretary fee	200	200	-
Miscellaneous	434	423	11
Total expenditures	13,234	12,024	1,210
Excess of Revenue Over Expenditures	(600)	1,309	1,909
Fund Balance - April 1, 2005	50,110	50,110	-
Fund Balance - March 31, 2006	<u>\$ 49,510</u>	<u>\$ 51,419</u>	<u>\$ 1,909</u>

Watervliet City/Township Cemetery

Budgetary Comparison Schedule - General Fund Year Ended March 31, 2005

	Original and Amended Budget	Actual	Variance with Budget
Revenue			
Local unit contributions	\$ 10,000	\$ 10,000	\$ -
Lot sales	1,400	250	(1,150)
Burial fees	1,200	800	(400)
Investment income	800	297	(503)
Total revenue	13,400	11,347	(2,053)
Expenditures			
Maintenance	10,500	10,500	-
Professional fees	1,500	1,302	198
Utilities	800	455	345
Secretary fee	200	200	-
Repurchase of lots	-	800	(800)
Miscellaneous	400	149	251
Total expenditures	13,400	13,406	(6)
Deficiency of Revenue Over Expenditures	-	(2,059)	(2,059)
Fund Balance - April 1, 2004	52,169	52,169	-
Fund Balance - March 31, 2003	<u>\$ 52,169</u>	<u>\$ 50,110</u>	<u>\$ (2,059)</u>

Watervliet City/Township Cemetery

Notes to Financial Statements March 31, 2007, 2006, and 2005

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The Watervliet City/Township Cemetery (the "Cemetery") is located in the City of Watervliet, Michigan and is governed by an appointed six-member board. The Cemetery is funded primarily through contributions from the City of Watervliet and Watervliet Township, as well as lot sales and burial fees. Revenue is used to operate the Cemetery. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Cemetery is a joint venture between the City of Watervliet and Watervliet Township.

The accounting policies of the Cemetery conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Cemetery's basic financial statements include both government-wide (reporting the Cemetery as a whole) and fund financial statements (reporting the Cemetery's major fund).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Cemetery's net assets are reported as unrestricted net assets.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Cemetery considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Watervliet City/Township Cemetery

Notes to Financial Statements March 31, 2007, 2006, and 2005

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Cemetery reports only one major governmental fund - the General Fund.

Financial Statement Amounts

Bank Deposits and Investments - The Cemetery has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets - All capital assets of the Cemetery, including the land, are owned and accounted for by the City of Watervliet.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Budget Information

The annual budget is prepared by the cemetery secretary and adopted by the cemetery board; subsequent amendments, if any, are approved by the cemetery board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The budget as adopted is presented in these financial statements and includes expenditure budget overruns. The budget was not amended during the fiscal year.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Cemetery had no significant budget overruns.

Violation of Budget Act - For the year ended March 31, 2007, the Cemetery did not adopt a budget which is required by Michigan law.

Watervliet City/Township Cemetery

Notes to Financial Statements March 31, 2007, 2006, and 2005

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Cemetery has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Cemetery's deposits and investment policies are in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Cemetery's deposits may not be returned to it. The Cemetery does not have a deposit policy for custodial credit risk. At March 31, 2007, 2006, and 2005, the Cemetery had approximately \$56,000, \$51,400, and \$50,100, respectively, of bank deposits (checking, savings accounts, and certificates of deposits), all of which were covered by federal depository insurance.

September 21, 2007

To the Members of the Cemetery Board
Watervliet City/Township Cemetery
Watervliet, Michigan

Dear Ladies and Gentlemen:

In planning and performing our audit of the financial statements of the Watervliet City/Township Cemetery (the "Cemetery") as of and for the years ended March 31, 2005, 2006, and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Cemetery's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cemetery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cemetery's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Internal Controls

The Cemetery does not have adequate controls over lot sales and burial fee revenue. Revenue is received by a third party, without any system in place to ensure appropriate fees are collected and remitted to the Cemetery.

The Cemetery also operates with a lack of segregation of duties. One individual is responsible for all aspects of the Cemetery records, including cash receipts/deposits and cash disbursements, without any level of oversight.

Departure from Accounting Principles Generally Accepted in the United States of America (GAAP)

The Cemetery does not maintain an active general ledger, rather relying on checkbook registers for accounting records. Further, the Cemetery has chosen not to prepare a management's discussion and analysis (MD&A) as required by GASB 34.

The Cemetery also failed to adopt a budget for the fiscal year ended March 31, 2007, as required by the State of Michigan Public Act 621.

This communication is intended solely for the information and use of management and the Cemetery board and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moreau, PLLC